

ELEVENTH REPORT
STANDING COMMITTEE ON
FINANCE (1995-96)

(TENTH LOK SABHA)

MINISTRY OF FINANCE

—DEMANDS FOR GRANTS (1994-95)

Action Taken on 5th Report (Tenth Lok Sabha)



Presented to Lok Sabha on..... 3 MAY 1995
Laid in Rajya Sabha on.....

LOK SABHA SECRETARIAT
NEW DELHI

April, 1995/Chaitra, 1916 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON
FINANCE (1995-96)

Dr. Debiprosad Pal — *Chairman*

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3. Prof. K.V. Thomas
4. Dr. K.V.R. Chowdary
5. Shri Chhitubhai Gamit
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(iv)

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1. Shri S.N. Mishra – *Additional Secretary*
2. Shri G.C. Malhotra – *Joint Secretary*
3. Shri Satish Loomba – *Deputy Secretary*
4. Shri T.K. Mukberjee – *Assistant Director*

INTRODUCTION

I, the Chairman of the Standing Committee on Finance having been authorised by the Committee to submit the Report on its behalf present this Eleventh Report on Action Taken by the Government on the recommendations/observations contained in its Fifth Report on the Demands for Grants (1994-95) of the Ministry of Finance.

2. The Fifth Report was presented to Parliament on 22 April, 1994. The Government furnished their replies indicating action taken on the recommendations/observations contained in that report in October, November and December, 1994.

3. The Committee considered and adopted the draft Report at their Sitting held on 19 April, 1995.

4. For facility of reference and convenience, the recommendations of the Committee have been printed in thick type in the body of the Report.

NEW DELHI;
April 20, 1995
30 Chaitra, 1916 (Saka)



DR. DEBIPROSAD PAL,
Chairman,
Standing Committee on Finance.

CHAPTER I

REPORT

The Report of the Committee deals with the Action Taken by the Government on the recommendations contained in the Fifth Report (Tenth Lok Sabha) of the Standing Committee on Finance on the Demands for Grants (1994-95) of the Ministry of Finance which was presented to Lok Sabha on 22 April, 1994.

2. Action Taken notes have been received from the Government in respect of all the 13 recommendations contained in the Report. These have been categorised as follows:—

- (i) Recommendations/observations that have been accepted by the Government: (Nos. 2, 3, 6 and 11)
(Chapter II: Total - 4)
- (ii) Recommendations/observations which the Committee do not desire to pursue in view of the Government replies: (Nos. 7, 10, 12 and 13)
(Chapter III: Total - 4)
- (iii) Recommendations/observations in respect of which replies of the Government have not been accepted by the Committee: (No. 8)
(Chapter IV: Total 1)
- (iv) Recommendations/observations in respect of which final replies of the Government are still awaited: (Nos. 1, 4, 5 and 9)
(Chapter V: Total - 4)

3. The Committee desires that the final replies in respect of the recommendations for which only interim replies have been given by the Government, should be furnished to the Committee expeditiously.

4. The Committee will now deal with the action taken by the Government on some of their recommendations.

Demand No. 27

Major Head: '5465'

Department of Banking

Recommendation No. 8

5. The Committee had noted that a sum of Rs. 5600 crores had been provided

for the Banking Sector for the year 1994-95 in view of the increase in the capital requirement of Banks as per the new capital adequacy norms. The Committee, therefore, were of the view that the Government should reconsider the desirability of providing the said sum in that year in full.

In that connection, the Committee again wished to draw the attention of the Ministry to the various short-comings in the working of the Public Sector Banks as was brought in their Fourth Report.

In response to a specific query, the Ministry had stated that the recommendations made in that Report were under consideration of the Reserve Bank of India.

The Committee again reiterated that a continuous drain on the exchequer was not in order and the banks should be made to improve their functioning and hence their profitability by taking the required measures.

6. In their reply, the Government has stated that Reserve Bank of India (RBI) has advised banks to implement the prudential norms of income recognition, asset classification and provisioning with effect from the accounting year beginning 1 April, 1992. Implementation of these norms was absolutely essential to put the Indian Banking System on par with currently accepted International norms. As a result of these norms, income recognition has to be objective and based on recovery rather than on any subjective consideration. Banks are also required to make provisions based on risk weighted asset classification prescribed by Reserve Bank of India, which had been phased out for two years *i.e.* year ended 31 March, 1993 and 31 March, 1994. These prudential norms, which were in tune with international standards were unavoidable but they adversely affected the measured profitability of the banks in the following ways:—

- (a) Interest on Non-Performing Assets (NPA) is to be taken to income account on actual realisation only and this may reduce gross income, which in turn will affect the gross profit; and
- (b) The quantum of provision required to be made is larger than what the banks would have provided if the norms are not implemented.

7. While releasing the additional share capital for the year 1993-94, commitments had been obtained by Reserve Bank of India from the individual nationalised banks on the following major areas through a Memorandum of Understanding:—

- (a) reduction in NPAs – targets fixed for reduction.
- (b) restriction on opening of new branches.
- (c) reduction in overhead expenditure.
- (d) computerisation.

8. During the year 1992-93, nine banks had made operational losses. As a result of the steps taken by the RBI for improvement in profitability of public sector banks, it was expected that in 1993-94, only four nationalised banks would have operating losses. As the losses incurred would impair the capital base, outside support in the form of recapitalisation would be required from the Government. The provision of Rs. 5600 crores made in the year 1994-95 would, therefore, have to be retained. From the year ending 31 March, 1995, improvement in profitability was expected as the provisions required to be made would be limited to the loan asset identified as NPA during the year. As most of the banks were expected to meet the Memorandum of Understanding, targets regarding reduction in NPAs, income generation was also likely to improve which would be reflected in their profitability.

9. Besides the above, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and 1980 had been recently amended to enable the nationalised banks to access the capital market for raising the equity.

10. As regards the recommendations/observations of the Committee contained in the 4th Report on the 'Working of Public Sector Banks', the reply of the Government had already been sent in June, 1994.

11. The Committee views with concern that despite equity infusion to the tune of Rs. 5700 crore during 1993-94 and Rs. 5600 crore during 1994-95 and the implementation of the prudential norms of income recognition, asset classification and provisioning over the last two years, there has been no improvement in the overall profitability of the banks. 13 Nationalised Banks have declared losses amounting to Rs. 3763.61 crore during 1992-93 and 14 such banks have a cumulative loss of Rs. 5079.55 crore for the year ending 31 March, 1994. The Committee is unhappy to state that the manner in which the Annual classification of the non-performing assets is being done has not resulted in adequate transparency and on the other hand it has retarded genuine attempts to recover bad loans while still permitting window dressing of the Balance Sheets. Because of the strict discipline of new banking norms and in the absence of adequate capital base, the Committee is concerned to note that Banks are preferring to keep away from lending (since every loan constitutes some risk) and are investing the funds in dated securities which are risk free. Banks have also been allowed to go public for capital. This Committee is of the considered view that no amount of pumping of equity from the Government or the market alone will solve the problems of the Banks which arise from poor working and accountability of those concerned.

12. The Committee, therefore, recommends that the Government should make every effort to bring in improvements in the overall efficiency of the

Banks not only in the field of customer service but also in their profitability through effective delivery including utilisation and recovery, strict enforcement of accountability at senior Management level and also by strict RBI monitoring. The increasing bad debts and sticky loans of the Nationalised Banks are also a matter of great concern to the Committee. The Committee appreciate the decision of the RBI to circulate among Banks a list of defaulting borrowers and to publish the list of suits filed accounts in its 9th Report on action taken on the Fourth Report on Working of Public Sector Banks. However, the Committee is not convinced of the concept of confidentiality of customers' accounts so far as the defaulting borrowers' are concerned. The Committee, therefore, would also like to strongly reiterate its earlier recommendation that the Government should reconsider the elimination of secrecy provisions in regard to disclosure of the names of defaulters so that the Government could expose such elements who have siphoned off public money.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recognising the importance of Recommendation protecting the World and particularly the Indian environment, the Committee recommend that maximum use of Facility should be made by implementing quickly the projects sanctioned. While the Committee recognised the need for India's contribution to the GEF and Inter-meshing her efforts with those of the International Community for protection of the environment, it should be kept in mind that future contribution from India should account for the fact that it is the World environment and the per capita contribution of India towards ozone depletion and green house effects is far less than that of developed countries.

[Sl. No. 2]

Reply of Government

The projects approved by GEF are to be implemented by concerned administrative Ministries/Departments. The need for speedy implementation and to adhere to the time schedule of completion of projects will be stressed upon the executing Ministries/Departments. After the completion of the pilot phase, the GEF has been restructured and India has given its consent to the Instrument for the Establishment of the Restructured GEF in March 1994. Twenty six countries including eight from the developing world have pledged over SDR 2 billion to the replenished GEF Trust Fund. Contributions from the industrialised countries are based on the burden sharing formula agreed for the 10th replenishment of IDA (International Development Association), the soft loan facility of the World Bank. Several donors have pledged voluntary contributions in addition to their burden shares. Keeping in view the contributions by other countries as also factors relevant to the country's interest, India has pledged a contribution of SDR 6 million. Separately, alongwith other developing countries, we are continuing our efforts to ensure that industrialised countries contributing more towards programmes of sustainable development.

[Ministry of Finance, O.M.No. 15/6/94-FB. VIII, Dated 6.6.1994.]

Recommendation

The Demand under the Head 'Grants to Institutions for Economic Research' has risen from Rs. 2 crores, 82 lakhs and three thousand to Rupees 8 crores and

three lakhs. The Ministry explained that this was mainly due to diversification of grants in aid to a larger number of guarantee institutions.

While the Committee fully endorse the idea of encouraging research work in the field of Economics they are of the view that strict accountability should be introduced. The Government should monitor the work of these institutions and to assess carefully the utility of the research papers brought out by these institutions.

[Sl. No. 3]

Reply of Government

This Department is giving grants-in-aid to well known and reputed institutions like National Council for Applied Economic Research, Indian Council for Research on International Economic Relations and Institute for Studies in Industrial Development etc. which are making a useful contribution towards research in economic related activities. While releasing funds to the institutions concern, rules and bye-laws governing use of such funds are also prepared with a view to ensure that the work of these institutions is closely monitored and proper accountability exists. The recommendations of the Standing Committee are, however, noted and necessary instructions would be issued in this regard.

[Ministry of Finance, O.M.No.H. 11021/2/94-AD. III, Dated the 16th Nov., 1994]

Recommendation

A Budget provision of Rs. one crore was made for expanding assistance to Small Industries Development Bank of India for the year 1993-94 which was revised to Rs. 530 crores.

The Committee examined in detail the reasons for such an increase in the expenditure. The Ministry in their reply explained that this provision was raised to Rs. 530 crores to include disbursement of counter-part rupee funds of loan from external sources.

The Committee feel that with its increased resources, SIDBI should extend the field of its promotional activities covering technology upgradation/modernisation of small-scale industries in different regions of the country. The Committee recommend that it should follow completely the Government policy of providing finance at concessional rates to Small Scale Industry and all hurdles

in the area should be removed. The Committee further recommend that the headquarters of SIDBI, which is operating from Bombay at present, should be immediately shifted to Lucknow where they are supposed to be.

[Sl. No. 6]

Reply of Government

The original budgetary provision of Rs. 1 crore to SIDBI for the year 1993-94 was revised to Rs. 530 crores to include the counterpart rupee funds of loan raised from external sources. During the year 1993-94, the Overseas Economic Cooperation Fund (OECF) sanctioned IV line of credit of JY 30-billion to SIDBI for on-lending to small scale sector.

The amount of loan raised from OECF is meant for lending to the small scale sector by way of refinance to the banks and State level financial institutions as per the terms of agreement entered into with OECF by the Government of India/SIDBI. However, as regards technology upgradation/modernisation of small scale industries, SIDBI has reported that it has taken up a major programme of technology upgradation/modernisation in fifteen clusters in different regions. A list showing these clusters is at Annexure (*see* on Page 31).

The interest rates charged by SIDBI on refinance against loans to small scale industries are in accordance with the interest rate structure prescribed by the Reserve Bank of India from time to time. SIDBI has also reported that its full fledged headquarters would start functioning at Lucknow in June, 1994.

[Ministry of Finance, F.No. H. 11013/3/94-Parl., Dated: 21.10.94]

Recommendation

1. A suitable review of the FCNR Scheme be carried out so that exchange losses are assigned to Banks and actual users of foreign exchange.
2. Efforts should be made to raise long term deposits so that exchange loss is at least partially off-set by the benefits accrued.

[Sl. No. 11]

Reply of Government

The Scheme has been reviewed. A new scheme titled FCNR (Banks) was launched in May 1993. Under this Scheme, commercial banks accept FCNR

deposits of various maturities of upto three years and bear the entire exchange risk. The Government has gradually withdrawn all earlier FCNRA schemes under which the exchange risk was borne by the Reserve Bank of India. However, exchange loss on existing deposits in the FCNRA schemes will be borne by the Government until such deposits mature.

[Ministry of Finance, O.M. No. 8(3)/94-FCB, Date: October 31, 1994]

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT REPLIES

Recommendation

The Demands for Grants for the year 1994-95 have made provision of Rs. 13 crores as subscription to the Share Capital of Industrial Reconstruction Bank of India. A sum of Rs. 11 crores was subscribed towards the capital of IRBI during 1993-94 also.

When asked to explain the need for making contributions to the Share Capital of IRBI by the Government, the Ministry explained that since IRBI has been extending term loan assistance mostly to sick and weak units in terms of its Charter, where other all India Finance Institutions are not involved on softer than normal terms as also the recoveries in such cases were few and long drawn out, a need was felt for injecting interest free funds by way of equity contribution through budgetary support on a year to year basis.

In reply to another question as to the number of units which continued to remain sick inspite of availing assistance from IRBI, the Ministry stated as under:

1990-91	–	28
1991-92	–	32
1992-93	–	26

The Committee find the number of cases where the units continued to remain sick inspite of availing assistance from IRBI is on the high side. The Committee, therefore, recommend that IRBI should carry out through techno-economic viability studies before extending loans to sick and closed industrial concerns. The Committee also recommend that IRBI should pay special attention to the recovery of its outstanding dues from the industrial concerns so as to avoid continuous budgetary support from the Government. IRBI should also take urgent steps to make the sick units viable. The Committee are unhappy to note that an institution set up ostensibly to help sick units is itself in dire straits due to unviable lending.

[Sl. No. 7]

Reply of Government

IRBI has reported that loans to sick industrial units are extended by it after

the techno-economic viability of the concerned projects are established to the satisfaction of the Board for Industrial and Financial Reconstruction (BIFR). As regards recovery of dues IRBI has reported that it makes every effort for recovery of its outstanding dues from the assisted industrial concerns. Since many of the units in IRBI portfolio are sick and are under nursing programme through BIFR, some of which having even gone into liquidation, the recovery becomes a time consuming process due to various legal procedures involved. However, IRBI's recovery has gone up from Rs. 162.53 crores in 1991-92 to Rs. 200.20 crores in 1993-94.

[Ministry of Finance, F.No.H 11013/3/94-Parl., Dated: 21.10.94]

Recommendation

It appears from the figures given in the 'Budget at a glance' document that net resource transfer to the states in 1993-94 (revised estimates) exceeds in a very small way the figures of net transfer in 1994-95 (proposed). If the interest payment by State Government to Centre are also taken into account, there may be a net drop in the said transfers. This Committee recommend that in determining the said transfers to State Governments, the Central Government should take into account the interest payments etc. made by the State Governments to the Centre.

[Sl. No. 10]

Reply of Government

There is a logic in the existing presentation. As the loans given to States from part of transfer, it is appropriate that the recoveries of loans made from them are deducted so as to give a correct picture.

2. Interest, however, stands on a different footing. In view of the very large revenue deficit of the Central Government, the funds required for transfer to States other than share of taxes and duties are borrowed by Government. The interest which Central Government has to pay on these borrowings is much more than interest recovered from the States. This is because 30% of the Central assistance for State Plans (90% in the case of special category States) is provided as grants-in-aid even though Centre has to borrow the entire 100% and the rate of interest charged on loans to State Governments over the years are subsidised rates compared to Centre's own borrowing rates. Further, write off of loans and reduction in the rates of interest on outstanding loans recommended by successive Finance Commissions have also widened the gap between interest payments and interest receipts, as the borrowings made by the Centre for the purpose are not written off but, on the contrary, they have to be replaced from time to time at higher rates of interest.

3. As the interest cost to Centre of funds needed for transfer to States has not been included in the table, there is no justification for showing the interest received from States as a reduction from resources transferred. If both are included, the net transfer will not show a drop, but an increase. It will, however, be difficult to precisely quantify the related interest costs to Centre and include it in the Table as this component is not separately recorded in the accounts.

4. In view of the fact stated above, it is not possible to accept the recommendation made by the Standing Committee.

[Ministry of Finance, F.No.H. 11013/3/94 Parl., Dt. 21.10.94]

Recommendation

The Committee note with satisfaction that the Foreign Exchange Reserves have gone up from low-levels to about 15 billion dollars. The Committee, however observe that the magnitude of the reserves should be considered alongwith the quality and the character of the composition of the reserves and for this purpose an in-depth scrutiny of the constituents of the reserves should be carried out which should be made available to the Parliament. In this context, the Committee wish to emphasize that rupees convertibility on capital account will require very careful planning and should be viewed with a lot of circumspection. In the view of the Committee, pre-payment of high cost external debt should be considered foremost and the reserves should be used judiciously towards that end.

The Committee are of the view that, with the current account deficit being close to balance the objective should now be to boost the economy, revive investment and see that no recessionary trend sets in on account of restricted imports.

[Sl. No. 12]

Reply of Government

Foreign currency reserves have increased to over \$ 19 billion by mid-October 1994. The quality of these foreign exchange reserves has also improved alongwith increase in the quantum of reserves. Quality improvement has come about as a result of: (a) reduction in short-term external debt; (b) withdrawal of FCNRA scheme for non-resident deposits under which the exchange risk was borne by the Government of India; (c) pre-payment in April 1994 of high cost debt of \$ 1.1 billion to the IMF; and (d) greater contribution of direct foreign investment and foreign equity raised by Indian companies to the build up of foreign exchange reserves. Thus, non-debt creating flows have contributed significantly to the build up of foreign exchange reserves, thus improving their quality. Furthermore, the recent Credit Policy for the Busy Season has announced measures which will curb the growth of short-maturity non-resident deposits, which will further improve the quality of reserves.

Over the past several months, the government has taken some importance steps to reinvigorate the economy. These include: reform of excise and import duties as well as direct taxes, continuation of reforms in the banking sector; improvements in trade policy and successive reduction and liberalisation of interest rates. These measures have resulted in higher rate of growth of industrial output which rose to 7.8 during April-June 1994 compared to corresponding period of 1993. Non-oil imports have also shown an increase of more than 20% during April-August 1994. Disbursements by financial institutions have also recorded a marked increase during April-August 1994 over the same period in the previous year. All these point towards an economic recovery which will result in a revival of investment and higher growth in 1994-95.

[Ministry of Finance, O.M.No. 1(114) Ec. Dn./94, Dated 24-10-1994]

Recommendation

“Without going into the details of the issue such as what excise duties have been imposed or withdrawn or the effect of change of duty structure from specific to *ad valorem* which should be considered by the Govt. the Committee would like to state that there is a need for a preferential treatment to the small scale sector industries considering the overall spectrum of inequalities in distribution of wealth and the position that small and tiny traditionally and non-mechanical sectors should occupy in our economy. **In the view of the Committee, the Government should review the said proposals to make sure that genuine difficulties of the small-scale sector are removed.**”

[Sl. No. 13]

Reply of Government

Present excise duty structure provides preferential treatment to small scale units under Notification No. 1/93-CE dated 28.2.93 (General Small Scale Scheme). Under this scheme which is applicable to most of the excisable commodities, small units are not required to pay excise duty on their clearances upto Rs. 30 lakhs in a year. For subsequent clearances upto Rs. 75 lakhs in a year also (including exempted clearances) concessional rates of duty have been provided. Significantly, about 90% of the small and tiny units in the country are reportedly having an annual turnover of less than Rs. 30 lakhs. Hence all such units are not liable to pay any excise duty if they produce any commodity notified under the exemption scheme. In addition, there are certain commodity specific schemes for small scale sector under which excise duty exemption/concessions have also been provided. These schemes apply to manufacturers of cosmetics and toiletries, refrigerating and air-conditioning machines and matches.

After the budget, the General SSI scheme has also been extended to more items like woollen yarn, acrylic, yarn, polypropylene yarn, narrow woven fabrics, gauze, texturised filament yarns and sewing thread which were fully exempted from excise duty prior to 1.3.94. Hence all units manufacturing the above items will also be entitled for excise duty concession under the schemes.

Moreover, considering the representations made and after assessing the likely impact of the Budget changes, full exemption from excise duty has been restored in respect of various goods. These include footwear of value upto Rs. 50 per pair, hawai chappals and parts thereof, soap made without aid of power, umbrellas, parts of PD pumps used captively corrugated boxes and cartons, PVC compound used captively, certain handloom products, handkerchieves, shawls, etc. The brand name provision in the SSI scheme was also amended in the budget with a view to prevent the misuse of SSI scheme by certain large scale manufacturers. After the budget, considering the representations of SSI unit, brand name provision has also been amended so as to exclude the use of code number, drawing number and design number from the purview of definition of brand name. This will provide relief to a number of casting manufacturing units and machinery parts manufacturing units. The general exemption scheme has already a provision that branded parts of machinery when supplied by a SSI unit as original equipment to the machinery manufacturers will not be hit by the brand name provision. Such clearance even though bearing the brand name of other firm, can be effected at nil or concessional rates as prescribed in the general SSI exemption schemes. Instructions have been issued clarifying that in case of use of common brand name which is not owned by any person, the use of such brand name would not be hit by brand name provisions.

Excise duty exemptions have also been provided to the job worker units whereby a SSI unit can send its raw materials or intermediate product for further processing to a job worker without payment of duty and the job worker will also be entitled for excise duty exemption on such processed goods sent back to the supplier SSI unit. This provision will relieve a number of SSI units from following excise duty procedure.

Considering the above mentioned concessions available to SSI and the post budget changes, Ministry of Finance is of the view that interests of the genuine small scale sector have been adequately protected and there should not be any fear of adverse impact to the small and tiny units of the country. It may be added that the procedural formalities for SSI units have been simplified considerably. Some of these facilities are listed below:—

- (i) No extra records required to be maintained by small scale units and their own records with minor additional requirements, if necessary,

will be treated adequate for excise purpose. This facility is for small units, when their turnover exceeds Rs. 30 lakhs and when they are required to pay duty;

- (ii) No separate gate passes or other documents will be required. Their own documents or challans or invoices will be accepted;
- (iii) When the exemption limit of Rs. 30 lakhs is crossed, the duty can be paid on the basis of bills or challans or invoices and no additional excise documentation will be necessary;
- (iv) No monthly returns will be required to be submitted. Only a simple quarterly statement is required to be filed with the excise department;
- (v) Units having turnover of less than Rs. 30 lakhs in a financial year are not required to be registered with the Excise department and they have to only send intimation to the Department;
- (vi) No officer to visit a small scale unit without prior permission of the Assistant Collector of Central Excise.

[Ministry of Finance, O.M.No. 339/2/94-TRU, Dated 28.10.1994]

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

The Committee notes that a sum of Rs. 5600 crores has been provided for the banking sector for the year 1994-95 in view of the increase capital requirement as per the new capital adequacy norms. The Committee, therefore, are of the view that the Government should reconsider the desirability of providing the said sum in this year in full or to defer it for some time.

In this connection, this Committee again wish to draw the attention of the Ministry to the various shortcomings in the working of the Public Sector Banks as brought out in their Fourth Report.

In response to a specific query, the Ministry have stated that the recommendations made in that Report are under consideration of the RBI.

The Committee again reiterate that this continuous drain on the exchequer is not in order and the banks should be made to improve their functioning and profitability by taking the required measures.

[Sl. No. 8]

Reply of Government

Reserve Bank of India (RBI) have advised banks to implement the prudential norms of income recognition, asset classification and provisioning with effect from the accounting year beginning 1st April, 1992. Implementation of these norms was absolutely essential to put the Indian banking system on par with currently accepted International norms. As a result of these norms, income recognition has to be objective and based on recovery rather than on any subjective consideration. Banks are also required to make provisions based on risk weighted asset classification prescribed by RBI, which has been phased out for two years, i.e., year ended 31st March, 1993 and 31st March, 1994. These prudential norms, which are in tune with international standards are unavoidable but they adversely affected the measured profitability of the banks in the following ways:-

- (a) Interest on Non Performing Assets (NPA) is to be taken to income account on actual realisation only and this may reduce gross income, which in turn will affect the gross profit; and

- (b) the quantum of provision required to be made is larger than what the banks would have provided if the norms are not implemented.

While releasing the additional share capital for the year 1993-94, commitments have been obtained by RBI from the individual nationalised banks on the following major areas through a Memorandum of Understanding.

- (a) reduction in NPAs - targets fixed for reduction
- (b) restriction on opening of new branches
- (c) reduction in overhead expenditure
- (d) computerisation

During the year 1992-93, 9 banks had made operating losses. As a result of the steps taken by the RBI for improving of profitability of public sector banks, it is expected that in 1993-94 only four nationalised banks will have operating losses. As the losses incurred will impair the capital base, outside support in the form of recapitalisation will be required from the Government. The provision of Rs. 5,600 crores made in the year 1994-95 will, therefore, have to be retained. From the year ending 31st March, 1995, improvement in profitability is expected as the provisions required to be made will be limited to the loan asset identified as NPA during the year. As most of the banks are expected to meet the Memorandum of Understanding targets regarding reduction in NPAs, income generation is also likely to improve which will be reflected in their profitability.

Besides the above, the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 and 1980 has been recently amended to enable the nationalised banks to access the capital market for raising the equity. It is expected that from the next budget provisions on account of additional share capital of nationalised banks.

As regards the recommendations/observations of the Committee contained in the 4th Report about the 'Working of Public Sector Banks', the reply of the Government has already been sent vide our communications No. 1/1/P/Bkg/94 dated 23rd June, 1994.

[Ministry of Finance, F.No. H. 11013/3/94 Parl., dt. 21-10-94]

Recommendation

The Committee are pained to note that a huge amount of revenue, both direct and indirect is locked up in litigation, despite a continuous increase in staff. Explaining the position, the Revenue Secretary stated that as a result of an exercise within the Department, it was found that there were certain common issues on which a large number of cases have been filed in the High

Courts on which there were certain appeals filed in the Supreme Court. He also indicated that the Department was making efforts to computerise all the pending cases in the High Courts and the Supreme Court to find out the common issues involved so that these case could be bunched together and decided on the same basis.

The Committee are unhappy to note the situation of mounting litigation in revenue collection and they reach inevitably the conclusion that a part of this phenomenon is related to complicated Tax Law. In this connection, the Committee recommend that efforts should be made by the Department to delineate areas where there is recurring litigation and simplification of law should be carried out in such areas immediately. The efforts of the Department to bunch up similar cases for expeditious disposal in the courts should also be speeded up for concrete improvement in the situation.

[Sl. No. 8]

Reply of Government

The report of the Tax Reforms Committee under the chairmanship of Prof. Raja J Chelliah was the basis for many important changes in the tax system brought through the Finance Acts of 1992, 1993 and 1994. Unlike earlier isolated attempts to modify the direct tax system, the tax reform measures taken in the last three years are part of a wider programme of rationalisation and structural economic reforms. Several measures have been taken to ensure procedural simplicity and compliance and some of the important changes have been detailed below:

- (a) A new scheme for assessment of firms has been introduced. A firm is now taxed as a separate entity and no distinction is drawn between registered and unregistered firm. After allowing remuneration and interest to partners, which is charged to income-tax in their respective hands, the balance amount of income is subjected to maximum marginal rate of tax.
- (b) To stimulate investments in productive assets, the Finance Act, 1992, has abolished wealth-tax on all assets except six specified assets. This tax is now levied on assets such as residential houses including farm houses and urban land, jewellery, bullion, motor cars, planes, boats and yachts. The basic exemption limit for the levy of wealth-tax has also been raised to Rs. 15 lakhs. This tax is now levied at the uniform rate of 1 per cent.
- (c) Section 64 of the Income-tax Act has been amended to provide that all income of a minor is to be included in the income of his parent.

These clubbing provisions will not apply to a case where, the income is derived by the minor from manual work or from any activity involving his skill, talent or his specialised knowledge or experience. Further, the income of a handicapped minor will not be clubbed with that of his parents.

- (d) There has been an across the board reduction in rates of tax. The distinction between closely held companies and widely held companies has been abolished.
- (e) The initial exemption from income tax for individuals has been raised from Rs. 30,000 to Rs. 35,000. The maximum marginal rate of 40% is attracted only when the total income exceeds Rs. 1,20,000.
- (f) Surcharge has been abolished for individuals and firms.
- (g) A non-resident Indian will not lose his non-resident status even if he stays in India for 181 days. In the past the permissible period was only 149 days.
- (h) A new scheme for estimating income of the taxpayers engaged in the business of civil construction and in the business of plying, leasing, or hiring trucks owned by them, has been introduced through the Finance Act, 1994. Under this scheme, the income from the aforesaid business is to be deemed at a certain percentage of gross receipts/ fixed amount. The taxpayers have been given the right of rebuttal if their income falls below the aforesaid amounts. The object of introducing this scheme is to simplify the tax procedure for persons engaged in the aforesaid business and reduce litigation.
- (i) A scheme of presumptive taxation for small business and persons engaged in certain professions was introduced with effect from 1st April, 1992. Under the scheme, the total income is deemed at a certain amount on which the tax payable works out to Rs. 1,400/- in case of individuals. The persons coming under the scheme do not have to file returns of income. Mere filing of a statement in a bank and the payment of tax are sufficient to comply with the requirements of the said scheme. The scheme which was to operate earlier only for two years has now been made open-ended.
- (j) Under the Income-tax Act there is no specific provision dealing with determination of the cost of financial instruments such as rights shares, rights entitlement, etc. The courts have laid down certain methods for determining the cost which are not strictly in accordance with commercial principles. It has now been provided that the cost of

rights entitlement in the hands of the original shareholder is to be deemed as nil.

- (k) In a number of cases, the courts have decided that in case of self-generated assets (not covered by situations mentioned in section 49) where there is no cost of acquisition there is no liability towards capital gains. This has become a device for tax evasion. In order to overcome the judicial interpretation the provisions relating to capital gains have been amended to provide that the cost of acquisition of the certain specified assets will be taken as nil.

Steps towards procedural simplicity and easier compliance

2.1 Under the provisions of sections 143 (1) or 143 (1B), the Assessing Officer can make certain *prima facie* adjustments to the income or loss declared in a return of income. The assessee is required to pay tax on the enhanced income and is also liable to pay additional tax under section 143 (1A) where there is such an enhancement of income or reduction of loss. There was, however, no right of appeal against the *prima facie* adjustments and consequential levy of tax and additional tax. The tax-payer was entitled to claim that the adjustments made to vary the income or loss were not correct and needed to be rectified as a mistake apparent from the record. The assessee has been given a right to file an appeal against the intimation sent under section 143 (1) or 143(1B).

2.2 Section 143 (1) (a), *inter-alia*, authorises, with effect from assessment year 1989-90 the disallowance of any loss carried forward, deduction, allowance or relief claimed which, on the basis of information available in the return or the accompanying accounts or documents, is *prima facie* inadmissible. The earlier instructions of the Board were to the effect that no disallowance should be made of items on which two opinions are possible. The matter was further considered by the Board in the light of the recommendations of the Tax Reforms Committee headed by Prof. Raja Chelliah and it was decided that *prima facie* disallowances would be made only in respect of the following types of claims:-

- (a) An incorrect claim, if such incorrect claim is apparent from other information in the return or the accompanying accounts or documents.
- (b) Any claim in respect of which there is an omission of information which is required, under the specific provisions of the Act or the Rules, to be furnished along with the return to substantiate such claim.

- (c) A claim for deduction or rebate of any amount which exceeds statutory limit imposed, if such limit is expressed either as a specific mandatory amount or as a percentage, ratio or a fraction, and if the information relevant to application of the statutory limits appear in the return or the accompanying accounts or documents.
- (d) Any claim which is patently inadmissible in law.

It has been stipulated in the Circular that no other *prima facie* disallowance shall be made except with the previous approval of the Commissioner who has been asked to subsequently bring the matter to the notice of the Board. It is expected that this measure will reduce the area of litigation.

2.3 To ensure that the tax-payer finds it easy to comply with the provisions of law, a single sheet return – Form 2A has been devised for resident individuals (other than those deriving income from property held for charitable and religious purposes claiming exemption under section 11) whose total income is below Rs. 1,20,000 and does not include ‘Profits and gains of business or profession’, or any brought forward or carried forward loss/allowance, except under the head “Income from house property”. It is expected that the simple format will encourage non-filers to file their returns as they will save on the cost of fees payable to accountants and tax lawyers. A Tax-payers Charter has also been prepared. This enunciates what the tax-payer should expect from the Department and also details the co-operation which the Department expects from the tax-payer. A separate Charter detailing the Rights and Duties of persons searched by the Department has also been issued.

2.4 It is expected that these measures will promote tax-payers confidence in the Department and thus encourage voluntary compliance.

3. Thus the Department has tried to carry out the Committees observation and taken steps to simplify the law as well as the procedure. It has by giving wide publicity to the tax-payers rights also tried to build up an atmosphere of mutual trust.

4.1 For the purpose of expediting the disposal of cases pending before the Supreme Court, the grouping of cases on some important issues was undertaken. The major issues identified before the Supreme Court included:–

- (i) Whether capital subsidy is to be deducted from the actual cost for computing depreciation, investment allowance etc.
- (ii) Whether Rule 1D of the Wealth Tax Act is mandatory or directory.

- (iii) Challenge to constitutional validity of Chapter XXC of the Income Tax Act 1961 regarding pre-emptive purchase of property.
- (iv) Matters regarding Section 44 AC and 206C of the Income Tax Act.

4.2 The request for early disposal of the bunched cases has resulted in the judgements of the Supreme Court on the first three issues mentioned above, resulting in disposal of 295 cases by the Supreme Court. Further, consequent to the judgement of the Supreme Court in the case of C.B. Gautam Vs. UOI, 65 Taxman 440 on the constitutional validity of Chapter XXC, 194 writs in various High Courts were also disposed of.

In a recent decision of the Supreme Court in the case of CIT Vs. N.C. Budhiraja & Com. (Ltd) 204 ITR 412, 17 cases were disposed of by the Supreme Court. The judgement which was in favour of the Department, was circulated for consequential action in similar cases. The Chief Commissioner of Income-tax have reported that there are 47 cases involving revenue effect of above Rs. 25 lakhs in which rectificatory action consequent to the Supreme Court's decision will result in additional revenue of Rs. 6.95 crores.

4.3 The recent decisions given by the Supreme Court are expected to have a cascading effect in reducing litigation before the High Courts and the Income-tax Appellate Tribunal.

4.4 For the purpose of facilitating the bunching of cases on the basis of common issues, the Income-tax Department is in the process of computerising the pending cases in the High Courts and the Supreme Court. Data relating to 8013 High Court cases has been entered in the computer. The data relating to SLPs is being entered in the computer from 1.1.94 onwards.

4.5 The Central Board of Direct Taxes expedites the disposal of the cases pending before the High Courts through issue of instructions from time to time to the field authorities for identifying issues recurring in a large number of cases, for requesting the Chief Justice of the High Court for hearing out of turn in these cases and for constituting Tax Benches on a regular basis.

4.6 The reports received from the Chief Commissioners of Income-tax indicate that requests made to the Chief Justice of the High Court for expeditious disposal of cases on priority basis and for bunching of court cases yielded results in the form of acceleration of the disposal of court cases before the High Courts e.g. the Chief Commissioner of Income-tax Bombay has stated that the grouping of common issues resulted in disposal of 1840 references during financial year 1993-94.

4.7 The recent steps taken by the Department have resulted in a reduction of the number of appeals filed by the Department as well as the assessees before the Income-tax Appellate Tribunal. The relevant details are as below:-

	1992-93	1993-94
No. of cases instituted by the Department.	44008	39605
No. of cases instituted by the assessees.	35181	30729

The number of SLPs filed before the Supreme Court in direct taxes matters also decreased substantially from 753 appeals in 1992-93 to 388 appeals in 1993-94 (these figures are provisional).

4.8 The reduction of litigation is a continuous process by which endeavour is made to reduce the filing of fresh appeals and to accelerate the disposal of the pending cases.

5. With a view to reduce pendency of prosecutions under the Direct Tax Laws pending before the Courts, the CBDT *vide* its F.No. 285/161/90-IT (Inv.) dated 30th September, 1994 has issued revised guidelines for compounding of offences. Under these guidelines the offences have been categorised into two groups namely technical offences and substantive or non-technical offences. A more liberal treatment has been given to the compounding of technical offences. The restriction hitherto imposed on compounding of offences committed by monopoly or large industrial houses or a Director belonging to such houses has been removed. Under the revised guidelines, the power to compound 'first technical offence' has been delegated to the CCIT/DIGIT where the compounding charges do not exceed Rs. 10 lakhs. It is expected that the liberalised guidelines will attract a large number of assessees to come forward with requests for compounding of offences for which they have been charged.

Recommendation

The Committee are pained to note that a huge amount of revenue, both direct and indirect is locked up in litigation, despite a continuous increase in staff. Explaining the position, the Revenue Secretary stated that as a result of an exercise within the Department, it was found that there were certain common issues on which a large number of cases have been filed in the High Courts on which there were certain appeals filed in the Supreme Court. He also indicated that the Department was making efforts to computerise all the pending cases in the High Courts and the Supreme Court to find out the common issues involved so that these could be bunched together and decided on the same basis.

The Committee are unhappy to note the situation of mounting litigation in revenue collection and they reach inevitably the conclusion that a part of this phenomenon is related to complicated Tax Law. In this connection, the Committee recommend that efforts should be made by the Department to delineate areas where there is recurring litigation and simplification of law should be carried out in such areas immediately. The efforts of the Department to bunch up similar cases for expeditious in the Courts should also be speeded up for concrete improvement in the situation.

[Sl. No. 8]

Reply of Government

Various steps have been/are being taken to reduce litigation in central excise and customs cases pending at the level of Supreme Court & High Courts. Efforts are also being made to simplify and streamline the existing laws and procedure. Legislative measures aiming at curbing litigation and delay in payment of central excise and customs duties have also been moved.

1. Simplification & Streamlining of laws and procedure

While simplification of laws has been a continuous ongoing process, concrete steps have been taken in this direction during the last three Budget proposals. Some of the important measures include, pruning the nos. of exemption notifications, describing goods in the exemption notification in the same way as in the Tariff; keeping end-use-based notifications to the barest minimum; moving over to the system of valuation on the basis of invoice price; rationalisation of exemption for small scale units and extending the benefits to both registered and unregistered units; extension of MODVAT facility to almost all inputs including capital goods. Many more changes, based on the recommendations made by the Rekhi Committee and Tax Reforms Committee (Chelliah Committee) are being examined.

2. Bunching of Cases

With a view to expedite listing/disposal of cases pending in the Supreme Court, cases of common issues were identified and bunched. A list of cases issue-wise was sent to Supreme Court Registry in December, 1992. As a result, Supreme Court disposed of a large number of bunched cases relating to Rule 9 & 49, sugar rebate and oil cess cases. While circulating these judgements to field formations, they were requested to review all pending cases and forward list of cases which are covered by these judgements but are still pending. As a result, a list of 44 more cases was again furnished to Central Agency Section, Ministry of Law in March, 1993 for moving the apex Court for their disposal. Another list

of 39 cases relating to sugar rebate which are covered by earlier judgement of Supreme Court has been sent to CAS on 30.6.94 for similar action.

In respect of cases pending in various High Courts on similar issues, the Collectors were requested to take necessary steps for their disposal in the light of Supreme Court judgements.

A list of 89 cases involving revenue upto Rs. 10 lakhs in each case and 45 cases involving revenue of over Rs. 10 lakhs, where stay had been granted by the Supreme Court has been sent to CAS in December, 1993 with a request to take them up for vacation of stay orders.

Principal Collectors/Collectors also have had meetings with Chief Justice of some of the respective High Courts and have furnished lists of cases issue-wise followed by request for expeditious listing and disposal of these cases.

3. Legislative Changes

Legislative changes to provide for charging of interest on delayed payments of duties and interest on delayed payment of refunds have also been moved. The draft Cabinet Note has been finalised after taking into consideration the views/observations of the Law Ministry and the same has been sent for obtaining their final concurrence. Thereafter, the Cabinet Note would be sent to Cabinet Sectt. for obtaining approval of the Cabinet.

Proposals for setting up of National Tribunal for Customs & Excise and Settlement Commission are still under consideration in consultation with Law Ministry.

4. Review Meetings

Meetings are held at periodical intervals between Secretary (Revenue) and Law Secretary to review the problems and pendency relating to court matters as also to devise further ways and means to secure improvement. The last meeting was held on 12.5.94.

A Study Team consisting of senior officers of the C.B.E.C. and Law Ministry has also been set up to determine to what extent the increase in excise litigation is attributable to the tactics of successfully buying time by the assesseees for paying duties and to find out legal remedies to effectively discharge such tactics.

5. Computerisation

With a view to proper monitoring and co-ordination of pending cases, it is proposed to computerise all data about Supreme Court and High Court cases. Hardware has already been installed in the Legal Cell of C.B.E.C. Software

programme in respect of High Court cases has already been prepared. Software programme for Supreme Court cases is also likely to be completed shortly.

6. Other measures

In response to our request, Ministry of Law has appointed one Additional Solicitor General exclusively for customs and central excise cases.

In pursuance of the recommendations made by the PAC, a proposal for creation of a Directorate of Litigation to deal with all legal matters relating to Central Excise and Customs is under examination.

The comparative position of cases pending in Supreme Court and various High Courts and amount of revenue involved therein, as on 31.3.93 and 31.3.94 is as under:—

	Supreme Court		High Courts	
	No. of cases	Amount of revenue involved (in crores)	No. of cases	Amount of revenue involved (in crores)
31.3.93	4632	755.19	13597	1776.49
31.3.94	4540	922.71	12540	1996.35

The figures as on 31.3.94 indicate net pendency position, after taking into account the fresh cases filed and deducting therefrom the total disposal during one year.

[Ministry of Finance, F. No. H-11013/3/94—Parl., dt. 21.10.94]

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF THE GOVERNMENT ARE STILL AWAITED

Recommendation

- (i) Personal Accident Insurance Social Security Schemes for Poor Families (PASS).
- (ii) Hut Insurance Scheme for Poor Families in Rural Areas.

The Committee are of the view that both these schemes are continuing with an element of ad-hocism. The Ministry have admitted that the Committee on Reforms in the insurance sector have submitted their report and the recommendations are under consideration of the Government. In the view of the Committee the amount of Rs. 3000/- and Rs. 1500 (Rs. 1000/- for Hut and Rs. 500/- for belongings) payable under the respective schemes are inadequate and should be suitably revised keeping in view the general inflation. The Committee also observe that under the PASS scheme the claims paid by GIC are far less than the premium paid by the Government.

It was widely felt by the Committee that these schemes are not generally known to the intended beneficiaries, therefore, need to be given wide publicity.

The Committee also recommend that a quick decision should be taken on the recommendations of the Committee on Reforms in the Insurance Sector so that a long term view on these schemes can be taken.

[Sl. No. 1]

Reply of Government

One of the recommendations made by the Committee on Reforms in the Insurance Sector is that the PASS and Hut Insurance Schemes do not involve any element of insurance and as such they should be transferred to the Government authorities concerned. Any amendment to the Schemes including the amendments relating to upward revision in the compensation available under the Schemes can be considered only after a view is taken by the Government on the recommendations made by the Committee on Reforms in the Insurance Sector.

Under any insurance scheme, it is not necessary for the premium and claims to match. The premium rates are fixed by the insurance companies in such a way that the premium income must be sufficient to pay the claims and meet the

companies' expenses associated with the Scheme. It will be observed from the following Table that the GIC has incurred more expenditure on running the Scheme compared with the premium income received by them from the Central Government during the years 1989-90 and 1991-92; the expenditure is marginally less in the years 1990-91, 1992-93 and 1993-94:—

(Amount in Crores of Rupees)

Year	Amount of premium paid	Amount of claims paid	Publicity and other expenses	Total expenses incurred on the Scheme
1989-90	4.75	4.82	0.49	5.31
1990-91	5.00	4.59	0.38	4.97
1991-92	4.75	6.40	0.60	7.00
1992-93	7.00	5.47	0.67	6.14
1993-94	7.00	5.84	1.00	6.84
Total:	28.50	27.12	3.14	30.26

It would be observed from the above Table that as against the total premium of Rs. 28.50 crores, received by GIC from the Central Government, the total expenses on running the Scheme during the past 5 years were of the order of Rs. 30.26 crores. However, the claims outgo is less than premium paid and the advertisement expenses when added, the total goes above the premium.

GIC and subsidiary companies publicise the schemes through media and through posters, banners, hand bills, booklets, wall paintings and through the Directorate of Field Publicity, etc. However, it is basically the responsibility of the State Governments to publicise the PASS and Hut Insurance Schemes. All the State Governments were last requests by the Ministry of Finance at the level of Special Secretary (Insurance) in the year 1993 to give wide publicity to these Schemes.

As stated above, the Committee on Reforms in the Insurance Sector had suggested that since PASS and Hut Insurance Schemes do not involve any element of insurance, they should be transferred to the Government authorities concerned. This matter is under examination in consultation with the concerned Ministries. It would take some time before a final view is taken in the matter.

[Ministry of Finance F. No. H-11013/3/94-Parl., dt. 21.10.1994]

Recommendation

A Budgetary provision of Rs. 15 crores has been made for payment of overtime allowance to the workers in the India Security Press, Nasik.

The Ministry furnished the following information for expenditure on account of payment of OTA in respect of India Security Press, Nasik in response to a written query:-

(Figures Rs. in lakhs)

Year	Budget Allocation	Actual Expenditure
1991-92	862.00	908.53
1992-93	1034.00	1144.46
1993-94	1200.00	1310.00

The Ministry further informed that the increase in the demands was due to the nature of work which these Presses are doing. The nature of work is such that the whole Press is to be kept running to meet the demands.

When asked why Compensatory Leave might not be given to the employees instead of paying OTA, the Ministry had informed that it was not feasible to grant compensatory leave to the workers since that would result in further loss of production.

Though the reasons given by the Ministry appear to be cogent, the Committee feel that there is an imperative need to keep a check on such an expenditure more so when the Ministry of Finance itself is asking other Departments/Ministries to control their non-plan expenditure.

The Committee, therefore, recommend that necessary effective steps in that direction should be taken urgently to minimise the expenditure. The Committee may be informed on the steps taken.

[Sl. No. 4]

Reply of Government

In an effort to reducing the non-plan expenditure the whole items of work presently undertaken by India Security Press, Nasik, is being received in consultation with Department of Expenditure. This exercise is likely to be completed by 31st December, 1994.

[Ministry of Finance, Department of Economic Affairs, O.M. No. C&C/
JAO 1(43)/93-94 dated 12-10-94]

Recommendation

The following are the details of provisions made in the Budget and actual expenditure incurred in connection with the buildings and plants and machinery in the case of Currency Note Press, Nasik:-

(Figures Rs. in lakhs)

Year	Building		Plant & Machinery	
	B.E.	Actual Expenditure	B.E.	Actual Expenditure
1989-90	225.00	68.00	1210.00	437.91
1990-91	180.00	16.06	1000.00	40.97
1991-92	200.00	12.20	600.00	1165.29
1992-93	199.89	6.29	600.00	17.50
1993-94	300.00	15.00	1001.00	150.00

When asked to explain the reasons for not fully utilising the Budget provisions made during the last five years, the Ministry explained that the existing note-printing machines at Currency Note Press, Nasik are very old and required urgent replacement. A proposal for modernisation was, therefore, mooted. But due to resource constraints, it could not be taken up. The Ministry has explained that they had been trying to persuade Reserve Bank of India to procure the required machines and lease them to CNP for a long time. The RBI is now expected to take a decision in this regard shortly. However, the expenditure on account of civil construction and procurement of auxiliary machines will have to be met by CNP. It was with a view to meet this requirement that the Press had been making provision in the Budget Estimates of last five years.

The Committee regret to note that no time-bound programme had been drawn out by the Government to modernise the Currency Note Press, Nasik and that inspite of making Budget provisions for the last five years, no significant progress seems to have been made in such an important work. The RBI which is supposed to procure the machines has also not taken any decision in this regard as yet. All this has resulted in cost escalation and fall in production of the Press. The Committee, therefore, recommend that a time-bound programme should be drawn up immediately for the modernisation of the Currency Note Press, Nasik and the same should be closely monitored so as to avoid cost and time overruns.

Reply of Government

Since the Reserve Bank of India is to procure the machines required for modernisation of CNP, Nasik, RBI has been requested to finalise the procurement action latest by 31-12-94. The position will be reviewed by the Department of Economic Affairs.

[Ministry of Finance, Department of Economic Affairs, O.M. No. C&C/
JAO 1(43)/93-94 dated 12-10-94]

Recommendation

The Demands for Grants (1994-95) made a provision of Rs. 21331 crores as interest on internal debt against an actual expenditure of Rs. 13541 crores during 1992-93 and Rs. 15823 crores in 1993-94.

The Committee examined in detail the question of interest on internal debt and note with concern the rising expenditure on internal debt. The Committee recommend that the issue of various types of Treasury Bills should be regulated strictly to keep a check on the amount of internal borrowings. The Committee also reiterate the recommendations made in their first Report and suggest that the Task Force stated to have been constituted to go into the issue may be asked to finalise their recommendations at the earliest

[Sl. No. 9]

Reply of Government

The recommendations of the Committee have been noted. The borrowings through Treasury Bills will be "closely monitored" and kept within manageable proportions. The Task Force going into the issue of interest is expected to submit its recommendations shortly.

[Ministry of Finance F. No. 11013/3/94-Parl., dated 21-10-94]

Debiprosad Pal

DR. DEBIPROSAD PAL,
Chairman,

Standing Committee on Finance.

NEW DELHI;
20 April, 1995
30 Chaitra, 1916 (Saka)

ANNEXURE

Clusters in different regions where programme of technology upgradation/modernisation has been taken up by SIDBI

- 1. Lock industry at Aligarh (UP)**
- 2. Textile processing industry at Pali, Salotra, Jaipur and Jodhpur (Rajasthan)**
- 3. Bicycle/Bicycle parts industry at Ludhiana (Punjab)**
- 4. Rural leather industry (UP)**
- 5. Brass and bell metal industry at Hajo (Assam)**
- 6. Glass industry at Firozabad (UP)**
- 7. Machine tool industry at Rajkot (Gujarat)**
- 8. Diamond and gem processing industry at Trichy (Tamil Nadu) and Jaipur (Rajasthan)**
- 9. Marine products industry (Kerala)**
- 10. Rubber industry at Kottayam (Kerala)**
- 11. Scientific instruments industry at Ambala (Haryana)**
- 12. Salt and salt based industry at Saurashtra (Gujarat)**
- 13. Powerloom units in Surat (Gujarat)**
- 14. Blacksmithy units at Myllem (Meghalaya)**
- 15. Mand tool industry at Jalandhar (Punjab)**

MINUTES OF THE SITTING OF THE STANDING COMMITTEE ON
FINANCE HELD ON 19 APRIL, 1995

The Committee sat from 1500 hrs. to 1640 hrs. in Committee Room 62,
Parliament House, New Delhi

PRESENT

Dr. Debiprosad Pal – *Chairman*

MEMBERS

Lok Sabha

2. Sh. S.B. Sidnal
3. Smt. Maragatham Chandrasekhar
4. Sh. P.C. Chacko
5. Sh. B. Akber Pasha
6. Sh. Sushil Chandra Varma
7. Sh. Jeevan Sharma
8. Sh. Dilcepbhai Sanghani
9. Sh. Manabendra Shah
10. Sh. Sartaj Singh Chhatwal
11. Sh. Nirmal Kanti Chatterjee
12. Sh. Bhogendra Jha
13. Sh. Kadambur M.R. Janarthanan

Rajya Sabha

14. Sh. Satish Agarwal
15. Sh. Krishna Kumar Birla
16. Sh. Triloki Nath Chaturvedi
17. Sh. Sanjay Dalmia
18. Dr. Biplab Dasgupta
19. Sh. Chimanbhai Mehta
20. Sh. Rajubhai A. Parmar
21. Sh. Surinder Kumar Singla

SECRETARIAT

1. Sh. G.C. Malhotra – *Joint Secretary*
2. Sh. Satish Loomba – *Deputy Secretary*
3. Sh. T. K. Mukherjee – *Assistant Director*

The Committee considered the following two Reports :-

- (i) Draft Report on the action taken by Government on the recommendations contained in the Fifth Report (Tenth Lok Sabha) of the Committee on Demands for Grants (1994-95) of the Ministry of Finance.**
- (ii) Draft Report on the action taken by Government on the recommendations contained in the Sixth Report (Tenth Lok Sabha) of the Committee on the Demands for Grants (1994-95) of the Ministry of Planning & Programme Implementation.**

The Committee adopted the two Reports with certain modifications/amendments as shown in the Appendix.

The Committee authorised the Chairman to finalise the two Reports and present them to the Parliament on its behalf.

The Committee then adjourned.

APPENDIX

Amendments/Modifications made by the Standing Committee on Finance at their Sitting held on 19 April, 1995 in the Draft Action Taken Report on the Fifth Report on Demands for Grants (1994-95) of Ministry of Finance

Page	Para	Line	Amendments/Modifications
1&2	2	19 to 26	<i>Delete</i> "It would be observed.....awaited."
5	3	12	<i>For</i> "intended" <i>Substitute</i> "adequate"
6	2	5 from bottom	<i>After</i> "to" <i>Insert</i> "strongly"
6	2	4 from bottom	<i>For</i> "laws" <i>Substitute</i> "provisions"
6	2	3 from bottom	<i>For</i> "defaulters in refund of bank loans" <i>Substitute</i> "the names of defaulters"